

THE MANAGEMENT OF DEVELOPMENT OF REGIONAL STOCK EXCHANGES IN RUSSIA (ON MATERIALS OF THE REPUBLIC OF TATARSTAN)

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ABSTRACT

It is well known that the stock market is a financial market segment, allowing the most efficient to reallocate financial resources from investors to issuers. At the present time in Russia only Moscow Exchange operates fully. Accordingly, the companies-issuers who wish to attract the necessary financial resources are forced to do so through the Moscow stock exchange. The development of regional stock exchanges will help strengthen the country's financial system and ensure the stability of economic growth.

We did evaluate the development of a regional securities market in the Republic of Tatarstan and did identify problems, among which are marked imperfections and underdevelopment of the Russian legislation, inefficient management structure of large companies, whose securities are presented at the national stock market, limited using of market instruments valuable papers. The authors of the proposed formula and performance indicators to evaluate the development of a regional securities market and its management.

An important factor in the development of the market of securities is the involvement of the individuals on this market, which currently remains an unsolved problem, including due to the low incomes of the population in Russia.

We believe that the proposed recommendations in the article are useful by the state.

Key Words: *Stock Exchange, Regional Stock Market, Securities, Economics, Economic Growth*

INTRODUCTION

The aim of this study was to identify the reasons of underdevelopment of the regional securities markets in Russia and the proposal of measures to address the problems identified.

The commercial banks are the most active participants of the Russian securities market. We did evaluate the activity of banks of the Republic of Tatarstan in the securities market. An unsolved problem is the large share of the state in the capital of the Republic of Tatarstan's largest companies that adversely affects the efficiency of the companies. We believe that the active involvement of the population and the use of Islamic financial instruments will facilitate develop the securities market

Most part of banks' activities in the stock market is speculative in nature and is aimed at extracting the maximum profit. In this regard, commercial banks are active participants of the Russian stock market is not interested in the development of regional stock markets. In addition, developed regional securities markets will compete with the credit activities of commercial banks.

To evaluate the development of the regional securities markets we proposed to use some indicators.

Government interventions will help to solve the problems mentioned above.

DATA AND METHODOLOGY

From the point of view of Mirkin Y.M., indirect data on the extent of activity and dynamics of regional markets and their relations to each other can be a count of investment institutions - professional participants of securities market (Mirkin, 1995).

As part of the above ideas of Mirkin Y.M., we note that in the Republic of Tatarstan there is varied number of professional stock market participants, including leading investment and brokerage companies. But, in our opinion, investment and brokerage company located in the Republic of Tatarstan, are not active participants in the stock market and do not contribute to its development, because they are mostly focused on attracting financial-illiterate population, namely, teaching them the basics of the market short, these companies continue to attract these customers to their service, while receiving commissions.

We think that the Russian securities market is an emerging market, especially comparing it with foreign markets (Asaturov, 2015). The activity of foreign investors has an effect on the Russian securities market (Kopytin, 2014).

Well-known is the fact that the most active participants of securities market are commercial banks. In the Republic of Tatarstan there are about 70 commercial banks, including federal and regional (Ramazanov and Grigoryan, 2014).

It is important, in our view, to trace the role of commercial banks of the Republic of Tatarstan in the stock market in recent years to assess the development of a regional securities market.

In particular, the PJSC "Bank ZENIT" is an issuer of shares, classical bonds, exchange bonds and Eurobonds. From 2005 to 2016 years the bank issued classic and commercial papers in the total amount of 40 billion Rubles.

PJSC "AK BARS" Bank issued any shares, bonds. As a result of placement of equity securities (stocks) PJSC "AK BARS" Bank in 2009 increased its equity capital by 9 billion rubles. Funds received from the bank's IPO were used to finance current operations. From 2005 to 2009, PJSC "AK BARS" Bank issued Eurobonds totaling more than 1 billion US dollars, exchange bonds from 2005 to 2016 in the amount of over 30 billion rubles.

PJSC "Tatfondbank" from 2003 to 2016 placed bond issues totaling more than 20 billion rubles, credit linked notes (CLN) in the amount of 90 million USD to 2009, Eurobonds worth 200 million USD (the repayment period of 26.04.2010) [7].

AKB "Spurt" (PJSC) from 2004 to 2016 has placed 4 issues of bonds for a total amount of 3.5 billion rubles.

As can be seen, the activity of the largest banks in the Republic of Tatarstan in the stock market is high enough, but, despite the fact that most of the listed banks have specialized units dealing with securities, they were mainly as issuers of classical financial instruments.

Developing the theme of the development of the stock market, we note that the behavior of capital market can be analyzed with the help of the doctrine of an integrated system, which was developed over the last 20 years by various authors with the intention of explaining the work and the difference in the dynamics of productive systems. (Pak and Kretzschmar, 2016)

The doctrine of comprehensive development of capital market includes four interrelated factors:

1. Trust.
2. Entrepreneurial Culture.
3. Research and Innovation.
4. Regulatory and statutory framework.

RESULTS

The four factors in the Republic of Tatarstan, as well as in Russia, are not sufficiently developed, and underdevelopment of the stock market in the Republic of Tatarstan can be explained by these factors. We think that the development of the third and fourth factors (research and innovation, regulatory and statutory structure) is depended of development of the first two factors, which are in some way derived.

We look the impact of the third and fourth factors. We will analyze the actions of the authorities and the necessary actions of economic agents, contributing to the creation of favorable conditions for the financing of the reproduction and / or investment process and development of the stock market.

Regarding the actions of the authorities as a regulator there is project legal act "On peculiarities of investing in infrastructure using infrastructure bonds" developed by the Federal Service for Financial Markets.

The infrastructure bonds are a bond issued by a dedicated project organization with the purpose of raising funds in infrastructure projects.

By cons of the bill, in our view, include:

- 1) Under the infrastructure in this bill means the totality of the real estate, consisting of one or more individual objects and (or) technological systems designed to ensure transport activities, energy, social services, public utilities and telecommunications. Thus, the legislator has not provided for the financing of the production areas, in particular, light and heavy industry, high technologies, etc;
- 2) Competitive selection of applications for participation in the project will give rise to corruption, strengthening the "state-related" links that lead to inefficient use of financial resources.

To the positive side of the project designated normative document can be attributed the fact that within the context of future sporting and other international events in Russia with a lack of state budget funds, it can be used the private-enterprise financial resources involved within the issue of infrastructure bonds.

Unfortunately, this project did not become law.

From the viewpoint of N.N. Garakhanov, the level of development of the stock market in a developing country is directly dependent on the presence of three factors: a stable macroeconomic development of the country, retail ownership structure of the economy and traditional values of the population that encourage or hinder their active participation in the stock market.

From the set of above factors we are interested in factor associated with retail structure of ownership. Most of the strategic enterprises of the Republic of Tatarstan is under the control of the state, in particular of "Svyazinvestneftekhim", established in accordance with the Decree of the Cabinet of Ministers of the Republic of Tatarstan of April 11, 2003 № 201. This holding holds the shares of the largest national companies, such as PJSC "Tatneft", PJSC "Nizhnekamskneftekhim", PJSC "AK BARS" Bank and other. A similar situation is observed in other regions of Russia.

The JSC "Svyazinvestneftekhim" has the next goals:

1. Streamlining of the mechanisms of control over bodies of joint stock companies whose shares are transferred to the "Svyazinvestneftekhim";
2. Search and attraction of using various instruments of money market and long-term finance of capital projects and programs implemented by enterprises of the Republic of Tatarstan to meet the priority areas of the economy, defined by the Government of the Republic of Tatarstan.

The PJSC "Bank Zenit" and PJSC "AK BARS" Bank are included in JSC "Svyazinvestneftekhim"

The activity of JSC "Svyazinvestneftekhim" is not effective because:

- 1) The main used tools are simple and traditional - loans and bond issues, including the international capital market;
- 2) The absence of well-established system of marketing of products of the holding companies that had a negative impact of the crisis after 2008 and resulted in lower sales volumes and partial suspension of production in individual enterprises.

The above facts about the activities of JSC "Svyazinvestneftekhim" hinder the development of the national stock market.

Regional development indicators of the stock market may be the following:

The availability of investments = the minimum level of investments by the broker / minimum wage (1)

If the value of the indicator "Availability of investments" more than 1, then the investments are difficult.

Involvement of the public in the stock market = number of registered participants of exchange trades / number of inhabitants of the region (2)

The closer the value of the indicator "The involvement of the population in the stock market" to 1, the more the public is involved in the trading in the securities market.

The involvement of legal entities on the stock market = amount of funds raised by companies using market instruments Securities / total borrowed funds companies (3)

The closer the value of the index "Involvement of legal entities on the stock market" to 1, the more companies in the region attracts financial resources from the securities market.

The ratio between the volume of debt securities (bonds and notes) and the volume of bank lending in the region (4)

It characterizes the development of the regional securities market and etc.

A prerequisite for the development of the regional stock market may be the arrival of Islamic finance in the Tatarstan economy.

In July 2008, in the capital of Tatarstan, Kazan hosted Investment Conference of the Islamic Development Bank. Also in those days it was established JSC "Kuwait-Tatarstan investment company" for conducting investment activities on behalf of "Turkapital" on the territory of the Republic of Tatarstan and neighboring regions and others.

March 26, 2010 during the meeting of President of the Republic of Tatarstan R.N. Minnikhanov with the President of the Islamic Development Bank Dr. Ahmad Mohammad Ali signed an agreement on the establishment of the Tatarstan International Investment Company (TIIC). Strategy of newly created company will be actively working with the private sector. TIIC should be a kind of engine to promote investment projects.

19 - May 21, 2016 in Kazan was the eighth World Economic Summit: "Russia-Islamic World: KAZANSUMMIT 2016". A key theme of the 2016 Summit was to discuss the new architecture of the world economy and prospects of development of the financial industry of the OIC countries in the regions of the Russian Federation in the context of international economic relations.

In recent years, some banks of Tatarstan did trial publishes of Islamic securities.

SUMMARY

The foregoing aspects allow us to conclude that there are some activities of individual participants in the securities market of the Republic of Tatarstan, the manifestation of interest in the republic's economy by foreign investors, which will undoubtedly affect the further formation of this segment of the financial market.

DISCUSSION

Thus, the imperfection of legal regulation, the predominance of state-owned companies, the limited use of the securities, the lack of criteria for evaluating the development of the stock market, the lack of development of the regional securities markets, and other factors led to the fact that at the moment the stock market in Russia is emerging market.

We need create the favorable conditions for attraction of vast segments of the population to participate in the securities market.

Significant participants of the Russian securities market are commercial banks, whose activity in this market is aimed at maximum profit. We should not forget that the banks also receive income from the provision of loans and strong regional stock markets will be in direct competition with banks. In this regard, commercial banks have little interest in the development of regional stock markets. Regional stock exchanges can attract unused funds from households and send them to the satisfaction of the needs of small and medium businesses through the purchase and sale of securities. To solve this issue is possible with the help of state intervention.

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